

President's News Conference on Foreign and Domestic Issues

Following is a transcript of President Reagan's news conference last night in Washington, as recorded by The New York Times:

OPENING STATEMENT

Good evening, please sit down. I have a brief statement here. The final economic figures are in for 1984, and the news even better than anticipated. The U.S. economy grew at a rate of almost 5 percent in the fourth quarter and final sales increased at a rate of 8 1/2 percent. Economic growth for calendar year 1984 measured just a shade under 7 percent. It was the strongest performance in a single year by the American economy since 1951. Our recovery is now well into its 27th month.

It's the strongest expansion since the Korean War, and ours is a peacetime expansion rooted not in a military build-up for overseas conflict, but in a broadening prosperity when America is at peace.

We intend to prolong and to protect this expansion, and we'll work with Congress for a sweeping program of tax simplification and reform, and we're convinced this historic legislation can and should be passed this year.

Key Is Free Enterprise

America has rediscovered that the key to greater economic growth, opportunity, prosperity for all is to harness the energies of free enterprise. The American miracle of which the world now speaks is a triumph of free people and their private institutions, not government. It was individual workers, business people,

entrepreneurs — not government — who created virtually every one of our 7 million new jobs over the past two years.

But protecting recovery will require political courage. A Federal Government that collects 28 percent of the gross national product in taxes must cease spending nearly 28 percent of the gross national product in Federal programs. Our Administration proposes to freeze overall Federal program spending at last year's level, to cut \$1 billion out of programs in need of restraint, to reduce spending by half a trillion dollars over the next five years, and these proposals are rooted both in economic necessity and common sense.

Nov. 8 Mandate Cited

To cite one example, revenue sharing. It doesn't make sense for a Federal Government running a deficit to be borrowing money to be spent by state and local governments that are now running surpluses — thanks to the recovery. And as for those who tell us that growth and expansion are not enough, that spending restraint is politically impossible, that higher taxes are doing us no answer is simple: That issue was debated and decided on Nov. 8. We intend to proceed with the program that we've been given by the people.

All right, Mike?

QUESTIONS AND ANSWERS

Reaction to Stockman

Q. Mr. President, budget director David Stockman says the budget for this country shouldn't be responsible for the bad debts of farmers. Do you agree with Mr. Stockman? Do you do, why does Federal funds to extend emergency credits to family farmers?

A. I think that Mr. Stockman's made it plain that — in fact, as apologizing for some of his remarks, because after three hours of what was an appearance before a committee in which I think there was a certain amount of assessment and heckling going on, he himself has said that he got a little upset.

And, no, I think the farm problem is the result of things that have been done in the past. It's the result of the inflationary economy that we had for some time. There are a number of farmers now who their main problem is they borrowed on the basis of inflated land values and then when we brought inflation down, that left them with loans and the collateral did not have the same value.

A. Well, Andrea, where we're going with reducing the rates and where we're going to achieve what we call a neutrality of revenue, we're going to be in the elimination of a number of exemptions that have existed and that sometimes have been unfair in the sense that some are entitled to them and others are not.

I think when I'm talking up proposals for hopefully getting the farm economy back into the free market, I'm talking up proposals for the agricultural business.

Programs "Didn't Succeed"

Q. Mr. President, do you see a contradiction between giving farm emergency programs not to be used to phase out price supports and crop restrictions that they lived with for years?

A. And that's the problem. We won't pull the rug out from under anyone who has gained their livelihoods from these Government programs. But the Government programs didn't succeed. Many of the problems they face are the result of Government's involvement.

A. And I think you'll find that a great majority of farmers believe that the answer to their problems is out in the free market, and that if Government is to help, then we should help by opening up world markets for them, by holding trade negotiations, because much of the farming elsewhere in the world is government subsidized.

A. And we intend to do all that we can. In fact, that was one of the things I talked to the Prime Minister about, and we're both agreed that we should be discussing in the coming months with our trading partners and friends the reopening of trade negotiations to do as much as we can to have free trade and both ways in the world as large.

Salt II Treaty

Q. Mr. President, Jack Anderson said in his column today that in 1981, you passed the treaty to Moscow that even if the Senate ratified the SALT II, you would not sign it; that in 1982, Moscow told you that they were no longer bound by the SALT II treaty and they began to build up their arsenal over the limit. Is that true? And I like to follow up.

A. Helen, I read that this morning and I went into the office and I said, "Where is all that stuff coming from?" I do not remember any statement from the Soviet Union of that kind. Both countries had been, as long as it was mutual, obeying the restraints or staying within the restraints, mainly because of our efforts toward what we're now approaching — arms reduction talks. But we felt that if we were going to engage in these talks, we had to enter if we did abide by an agreement that while it had been signed, had never been ratified by our Government.

And I don't recall that at all. And I have to say that we know the Soviet Union, we're sure, has violated some of the restraints now, and we know that we're coming to a point in which we have to have a new agreement by it and as we replaced other weapons with new we have destroyed the older ones. The Soviet Union has violated the violations of theirs has been that they were taking nuclear missile submarines out of action but they were cutting them down and rebuilding

them as cruise missile-carrying submarines

Q. Now to stay with the treaties that we're talking about, the ABM, while the new negotiations go on. A. Well, we're going to stay with the ABM, while the new negotiations go on. We're not going to stay with the ABM, while the new negotiations go on.

Q. Mr. President, you have said that you would need to be convinced of shifting the tax burden from individuals to corporations as the Treasury tax plan suggests. And the State of the Union speech you committed yourself to lowering individual tax rates 18 percent or lower. Now where would you make up that revenue if not to get it from corporations?

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President Reagan answering question last night at news conference.

Q. Mr. President, I'd like to come back to the problem of the farmers. You met with some state legislators today. Afterwards they said you're not really doing enough for the farmers; in fact, you're cutting back too much to aid. You mentioned \$650 million in aid. Up on Capitol Hill they're saying to provide another billion. Where does the compromise lie in your mind?

A. Well, I think that what we're doing can go a long way toward meeting this problem. I think we've been encouraging some of the banks and if you've noticed lately some of the banks themselves in the farming area have voluntarily reduced the interest rates on some of those outstanding loans because they want to contribute and want to help. We have spent over \$1 billion on agriculture in the last three years. We have in the budget for this year some \$15 billion, and that's a pretty sizable amount. And it will be a pretty sizable amount. And it's close to that, next year. And that is in the long range thing of the type of program that we're trying to phase out over a period of time.

Q. Mr. President, in Capitol Hill the other day Secretary Shultz suggested that the goal of your policy now is to remove the Soviet Government in Nicaragua. Is that your goal?

A. Well, remove it in the sense of its present structure, in which it is a Communist, totalitarian state and it is not a Government chosen by the people — so you wonder someone about those who make such claims as to its legitimacy. We believe, just as I said Saturday morning, that we have an obligation to let of help where we can to freedom fighters and lovers of freedom and democracy from the ghastly to Nicaragua, and wherever there are people of that kind who are striving for that freedom, and we're going to try to persuade the Congress that we can legitimately go forward, and hopefully go forward on a multilateral basis with the Scorp Jackson plan, for trying to bring development and help to all of Central America.

Q. Sir, when you say remove it in the sense of its present structure, are you not saying that you advocate a revolution against the present Government of Nicaragua?

A. Well, what I'm saying is that this present Government was one element of the revolution against Somoza. The freedom fighters are other elements of that revolution. And once victory is achieved, the Sandinistas did what Castro had done prior to their time in Cuba. They ousted and managed to rid themselves of the elements of the revolution and violated their own promise to the Organization of American States as a result of which they had received support from the organization, that their revolutionary goal was for democracy, free press, free trade, free unions and elections and so forth, and they have violated that.

Is the Answer Yes?

Q. And the people that are fighting them, the freedom fighters opposing them, are Nicaraguan people who want the goal of the revolution restored, right?

A. Is the answer yes then? Is the answer yes then?

Q. To the question, aren't you advocating the overthrow of the present Government, if not to substitute another form of what you say was the revolutionary goal?

A. Not if the present Government would turn around and say — all right as if they'd say uncle, or all right, and come back into the revolutionary Government and let's straighten this out and institute the goals.

Quoting Scripture

Q. Mr. President, theologians recently criticized you for saying, in defending your military budget, that the Scriptures are on our side. I wonder, do you think it's appropriate to use the Bible in defending a political argument?

A. Well, I was actually speaking to some sermon. I checked that with a few theologians, if it was appropriate. Well, what I meant about "appropriate" was I was interpreting it correctly. I was warning that you should be prepared and otherwise ask for peace because you were outnumbered and out — on the other side. And they seemed to think that it was pretty fitting. It was a caution to those people in our own country who would, if given the opportunity, unilaterally.

Q. To follow up, you don't have any problem with using the Bible in the political context?

A. Well, I don't think I've ever used the Bible to argue for peace or not. But I've found that the Bible contains an answer to just about everything, and I wonder sometimes why we won't recognize that one Book could solve a lot of problems for us.

Policy in Nicaragua

Q. Mr. President, I wonder if you might return to Nicaragua. In answer to Sam's question, when he pressed you to say that you were going to be saying, that you wouldn't advocate the overthrow of the government, would you turn around and say uncle. Well, aren't you really saying that you want the present government ousted? And second, sir, should the United States be trying to influence the government of another nation in this hemisphere?

A. I think that what we're doing and what we have proposed doing is with the U.S. charter and the right of people to what the freedom fighters are doing.

Q. And I think you can say it's like the glass half full or half empty; you can say we're trying to oust the Sandinistas, or we're saying, we're saying we're trying to give those who fought a revolution to escape a dictatorship to have democracy, and we had it taken away from them by some of their fellow revolutionaries, we're saying we're trying to give them a chance to have that democracy that they fought for.

A. And I don't think the Sandinistas have a decent leg to stand on. What

they have done is totalitarian. It is brutal, cruel, and they have no argument against what the rest of the people in Nicaragua want.

Q. Well, sir, what about the specific prohibitions by the United States Congress against the kind of conduct which would overthrow their government or provide money to do so?

A. The, ah, what that would —

Q. I'm referring to the Boland Amendment, sir, the specific prohibition of the Congress.

A. I think that some of the proposals that have been made in Congress have lacked a complete understanding of what is at stake there and what we're trying to do.

Import Quotas

Q. Mr. President, you will soon be making a decision how to handle the March 31 expiration of Japanese auto import quotas. If Japanese auto sales do increase in this country will you demand that the Japanese auto manufacturers make gifts to be sold in their country?

A. Well, let me just say that commenting on anything of that kind, we have been in communication with Japan. We have discussions going forward now on open markets both ways, in improving the situation between our two countries. A deal of progress has been made. We've got a long way to go yet, but everything that we're going to decide is going to be in that context of the two of us as free partners, having fair trade and free trade between us.

Q. Let me just follow up. With no restrictions your special trade representative has predicted a sales increase of 750,000 vehicles in this country. Will the benefits of that for consumers out-weigh the adverse effects on the U.S. auto industry?

A. The agreement that is being discussed is a voluntary agreement that the Japanese themselves instituted. And we've had a Cabinet council that has known some of you've gotten information before I did on this, that is going to be coming to me with a recommendation. They have not done so as yet but I will hear all their arguments and I will consider them in the context of the negotiations and the communication or discussion that is going on between us and the Japanese.

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Taxes on the Ranch

Q. My fellow Sir. You own a ranch. Perhaps it's a sort of a gentleman rancher situation. I understand you don't raise cattle anymore. But you do get a tax break for one reason or another. How would you feel about the farmer in Iowa or Nebraska who can't find a break right now that kind of whittles away seems to exist in the system?

A. The only tax break that applies to my ranch was in effect a long time ago. I bought the ranch. It is a law in California, and it is a law brought in environmental interests. And that is that formerly property tax, and that's a local tax, property tax on agricultural land or just open land was based on the highest potential use of that land. And it was literally driving some farmers into sale of land, giving up farming, because they could no longer afford to use as farmland or maintain as open space land that was being taxed as if it were a residential.

Q. And this was in place, as I say, when we bought that ranch. It is still in place in California. I understand that program very successful. It taxes it on that as you are going to a concept that you are going to subvert, that you are going to maintain that land, that open land.

A. I get no income tax deductions whatsoever with regard to the ranch, because the Treasury Department decided that since I couldn't be there and run cattle or anything that it was a hobby ranch, and I couldn't argue with them on that.

Economic Problems

Q. Mr. President, a number of the questions have been on our economic problems abroad. The farmers' problem, part of it is, sir, that they're priced out of the market in international trade because of the overvalued dollar. I think that's part of our problem in trade with Europe and in this country. We're at a disadvantage because our dollar is so valuable that it's out of other currencies. It's devalued, sir, if you have discussed this with Mr. Baker and some of your other economic advisers, and if you have studied the possibility of taking any action by this country to try to reduce the value of the dollar against other currencies, both Europe and Asia.

A. Jim, I think that the problem — I see concern when our dollar was devalued, and there weren't very many people happy about that. I think the problem of the dollar today is that our trading partners in the world have not caught up with us in economic recovery. I think they have a lot of catching up to do. And the problem of the dollar today is that our trading partners in the world have not caught up with us in economic recovery. I think they have a lot of catching up to do. And the problem of the dollar today is that our trading partners in the world have not caught up with us in economic recovery. I think they have a lot of catching up to do.

Q. And we're not in a position as we find with the trade deficit, for example, because of our inability, at the price of our dollar, to sell some of our goods abroad, they are too high. But at the same time, you turn to the other hand and see the people in this country that are benefited by the purchase of products which are cheap by our standards — cheap in price, but not in quality — in our country, and how that has managed to hold down inflation. I think you start trying around with trying to reduce the value of the dollar without curing this other side of the issue, we put ourselves back into the inflation spiral, and that we don't want.

Greece and NATO

Q. Mr. President, do you see any weakening signs in the region of the southern part of NATO in the light of the last Greek attitude? And according to The Washington Post, there was a story saying that

the United States bases will be moved out of Athens. Do you intend to do so?

A. We have no plans about any moves of any kind, but all I can say about the other — and I don't think I should go further than this — is to say that, yes, we're very concerned about some of the bilateral problems between countries there at our southern flank of NATO, and the effect that they can have on the whole security of the area.

Gary?

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Proposal for New Tax

Q. Mr. President, back to tax reform for a minute. The Republican chairman of the Senate Finance Committee has forwarded a proposal to impose a consumption tax and he says preferably on alcohol. Does that fall within the bounds of forbidden territory in your glossary for new taxes?

A. Well, I would have great difficulty accepting such a proposal. I think that the idea of a consumption tax in the nature of a value-added tax, first of all, this appears to be increasing taxes which I said we wouldn't do. But a value-added tax actually gives a government a chance to blindfold the people and grow in stature and size. First of all, you are kind of interfering with one of the principles of local government: revenue. And the sales tax, since the Federal Government had so you might say, concentrated the area of the income tax.

Q. A follow-up, sir. Would you put an import tax on oil, or on oil-refined products, in that same category? A. I'm just not considering a tax of that kind.

Thank you, Mr. President.

A. All right, good night.

Q. Are you considering steps against Mexico for not cooperating with us?

A. We're cooperating with them, too.

Business Day

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